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June 18, 1984

P-382

Assemblyman Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

Pursuant to a request of the Joint Legislative Audit Committee, we have reviewed the contracting procedures of the Refugee Services Program of the Department of Social Services (department). Our review of the Office of Refugee Services' (ORS) contracts, including consulting services contracts, disclosed that the department is complying with state contracting requirements. Further, our financial and compliance audit of the State of California for fiscal year 1982-83 determined that the ORS contracts were in conformance with federal and state regulations. Our financial and compliance audit for fiscal year 1983-84 will include a test of ORS contracts, as required by the federal government.

The ORS is responsible for managing and coordinating the delivery of services to assist refugees in becoming socially and financially self-sufficient. These services, which are federally funded, are provided through county welfare departments, local providers, and other state agencies. Such services include employment counseling, vocational and language training, and health and mental health assessment and treatment. The department funds these services through direct services contracts with local nonprofit entities, counties, and state agencies.

In our analysis, we reviewed eight contracts and two contract extensions for compliance with state contracting requirements. We reviewed two consultant services contracts, four "direct services" contracts with providers, one "targeted assistance" contract with a county and one interagency agreement with another state agency. We reviewed the department's records to determine that contracts were advertised, competitively bid and properly awarded, and approved by appropriate control agencies. On January 1, 1983, legislation became effective that changed the requirements for consulting services contracts. We tested the department's compliance with this legislation and validated its procedures for insuring that former state employees who were in certain policy-making positions were not involved in consulting services contracts.

Assemblyman Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
June 18, 1984
Page 2

ORS Contracts

Since January 1, 1983, the department has entered into two consulting services contracts for approximately \$210,000 to provide training for service providers. Our review of the Contracts Bureau's records showed that these contracts were competitively bid and properly awarded. In addition to the consulting services contracts, the department entered into 65 direct services contracts with providers to provide services from April 1, 1983, through March 31, 1984; these contracts totaled approximately \$13.1 million. According to the department contract officer responsible for these contracts, 45 of the contracts have been extended through September 30, 1984, at a cost of approximately \$5.0 million. These contracts were awarded through the competitive bidding process.

Additionally, the department has thirteen targeted assistance contracts with counties. These contracts, totaling approximately \$22.4 million, are to provide services from October 1, 1983, through June 30, 1985, to unemployed refugees. Finally, according to the contract officer, the department has three interagency agreements for refugee services. Two of the agreements, totaling approximately \$60.1 million, are with the Department of Health Services; the third interagency agreement for approximately \$500,000 is with the Department of Developmental Services. Contracts with counties and interagency agreements with state agencies are exempt from the competitive bidding requirement.

Fiscal Audit Review

As part of our financial compliance audit of the State of California for fiscal year 1982-83, we performed the compliance audit required by the federal Office of Refugee Resettlement. We determined the reliability of the State's system for monitoring and evaluating social services projects to assure that they comply with federal regulations. We reviewed the work of the department's auditors who audit refugee services contracts and the program monitors of county operations; we determined that their work was reliable. We also examined a sample of the department's contract payments and found that these payments were appropriate and that the contracts were in conformance with federal and state regulations. Further, our financial and compliance audit for fiscal year 1983-84 will include a test of ORS contracts, as required by the federal government.

Sincerely,



THOMAS W. HAYES
Auditor General

cc: Robert Presley
Senator, 36th District